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20 October 1983

MEMORANDUM FOR THE RECORD

FROM :
OGI/ECD/T

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SUBJECT: IG-IEP Meeting on Government Barter Policy

1. On 19 October at the request of the NIO/Econ, I attended the IG-IEP meeting on US Government Barter Policy. The meeting was chaired by Robert Cornell, Deputy Assistant Secretary for Trade and Investment. It focused on the paper prepared by Treasury on US Government Barter Policy.

2. At the outset of the meeting Cornell stated the US Government position on barter trade in general. The Administration supports multilateral free trade and opposes bilateral trade arrangements, particularly barter arrangements. The Administration, under no circumstances, is going to push barter arrangements onto US private traders.

3. The US Treasury paper on barter policy focused on barter arrangements which would involve sales of CCC-owned agricultural commodities or sales and acquisitions of materials for the National Defense Stockpile. In the paper Treasury proposed four policy options in addressing such barter transactions. They were:

- A. Oppose all barter deals.
- B. Maintain the present ad hoc procedure of deciding each proposal on the basis of benefit to the U.S., justifying an exception to a general policy of opposition.
- C. Support or introduce legislation that clarifies when barter is to be used and provides for any additional authority which is necessary.
- D. Adopt a set of guidelines for barter transactions developed by the IG-IEP. (This proposal was the one being supported by Treasury).

Cornell indicated that the Administration will need to formalize a position on barter since there are a number of barter bills currently pending on Capitol Hill. He specifically mentioned the bill proposed by Congressman Bennett from Florida which would amend The Stockpiling Act. Cornell's perception was that the Bennett bill would permit us to barter almost anything in order to add to our strategic stockpile.

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4. Most participants at the meeting supported the Administration's position on barter trade and were willing to go along with Treasury on policy option D. Among the comments made at the meeting were the following:

- o Commerce suggested that guidelines established under option D be flexible and that all must know what transactions they pertain to. Commerce raised the point that some coordination problems could arise with option D.
- o State supported option D; they recommended political as well as economic criteria be used in approving barter agreements.
- o OMB warned that the transactions approved by the committee not exceed budget appropriations.
- o Defense wanted to include some national security criteria in the guidelines. They also recommended combining options C and D.
- o CEA recommended that current prices for the commodities being traded be included in the guidelines so that the committee would know who gained the most from the barter deal. Their view was that someone always comes out ahead in a barter transaction.
- o NSC was not optimistic about handling barter deals in IG-IEP, in part because barter deals often involve very sensitive political interests/issues. They supported policy option B and stated the Administration will not push barter deals until USG's new stockpile goals have been established.

5. In concluding the meeting, Cornell indicated that he sensed that:

- o With suitable modification, particularly increased focus on national security, most participants were in favor of policy option D.
- o There was a need to codify option D in order to defuse congressional action on barter.
- o The majority opposed going overboard on barter agreements.

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6. Treasury will be rewriting the paper. Cornell requested that any proposed changes from IG-IEP participants be given to Treasury by Friday, 21 October. A revised copy of the paper would be sent to the IG early next week. Cornell indicated that in reviewing the new document, members should answer two questions -- do you clear the paper? Which option do you prefer?



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